



## Daily "Idealized Trades" Report

### SPY (SPY 500 ETF) 5-min



I would classify today's structure as a "Type II" Trend Day... although technical we opened at the extremes at closed at the extremes, making it a pure trend day. It wasn't a Type III because price actually gapped UP and then a gap was immediately filled. In Type III Trend Days (down), we have a large gap down that is not filled and THEN price closes at the low of the day. We actually began with expectations of a range or flat day.

So, the morning began with a nonchalant gap fade of \$0.40 maximum which had to be taken directly off the open... I prefer to wait 5 to 15 minutes to get a feel for the morning action before fading so - despite the fill - this was a difficult gap to trade (fill) successfully.

We did get the initial "bounce off" trade from yesterday's close as expected (gap fades actually give us two expected trades using only the price action) and price returned quickly to tag the intraday high (successful trade exit) before falling back, rising again, and by this time, you likely should have turned off the trading monitor in frustration because you thought it was going to be a boring rangebound, difficult to trade environment... which was a correct assumption... but the market had other plans.

We traded in a tight rectangle until 12:00 EST when the breakdown happened - and it was a stellar breakdown that was relentless and difficult to enter on a clean pullback.

The first clean pullback came at 1:45 where I drew the red arrow - but was there a way to get part of the larger profit?

Of course, but it required aggressive tactics. When price made a new momentum and price low (and tied a TICK low), odds favored shorting the first pullback for a new price low yet to come. We did get a 30-minute sideways retracement that formed a messy bear flag without friendly candle patterns (or Fibonacci or EMA pullbacks) so it mainly took closing your eyes and getting short once price broke down forming the large bar around 12:30 which broke beneath the \$92.60 support.

Savvy traders may have recognized or anticipated this as Elliott 3rd Wave... but in my experience, 3rd waves are often only recognizable AFTER the form, which gives you two ideal trades (shorting the 4th and buying at the end of the 5th). I find these trades MUCH easier to make but they don't give as much profit as if you intelligently identify and trade the 3rd wave.

That being said, price did make a new momentum and price low at 12:45 at \$92.00, which hinted that lower prices were yet to come so that single doji could have been another short-sell entry. However, by 1:15, a 'three push' and positive momentum divergence formed, which clued you in that odds favored a retracement back up AT LEAST to the 20 EMA which was realized quickly.

I deem this the BEST trade of the day - the 1:30 EMA pullback which formed a doji (more technically, an evening doji star) which hinted that a new price low or at a minimum a retest of the prior \$91.80 low was yet to come... and it did.

Once this swift down-move was complete, we easily can recognize some sort of 5 wave pattern and can then anticipate the low of the day - particularly with the lengthy divergence - has been put in place. This made it acceptable to trade long off the doji at 2:30 and play for a move up perhaps to test the Wave 4 high or even the 50 EMA - both of which were realized (a stop went beneath the doji at 2:30).

While in most cases you could (should) have held on long into the close (remember yesterday's rounded reversal), the two blatant long-legged upper shadow dojis and failure to close above the 50 EMA was a warning sign to go ahead and book your profits because risk was increasing to the upside... booking profits would have been a good move, as the market collapsed unexpectedly to hit a new closing low on the day just after that.

It proves you need eternal vigilance and apply constant attention to your trading positions in this market on all fronts.



The intraday high AND low were both formed on TICK and momentum divergences. WATCH THESE.

New TICK highs in the afternoon preceded the reversal up - Wyckoff's classic "first sign of strength" - clues which are missed by so many traders.



A "teaching moment" on the Three Push Reversal Pattern that formed into the morning lows that ended the 3rd wave at 1:00 EST / 12:00 CST which was a major clue of a market that had greater odds of reversing or at least making a larger than normal counter-trend retracement.

There's NO REASON to stay short after you observe a Three Push Pattern. Exit and then get short once the retracement has 'run its course' if need be. These are like classic warning signs.



A bonus lesson in perfect fractal Elliott Wave structure on the 1-min chart.